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via electronic mail & UPS

Ms. Janette Lopez
Chief Deputy Director
California Managed Risk Medical Insurance Board
1000 G Street, Suite 450
Sacramento, CA 95814

**RE: PRELIMINARY REPORT ON THE EVALUATION OF COMMUNITY HEALTH
PLAN MEDICAL LOSS RATIO SUBMISSION**

Dear Ms. Lopez:

The Department of Managed Health Care (DMHC) hereby provides the Managed Risk Medical Insurance Board (MRMIB), Healthy Families Program (HFP) with the following report regarding the evaluation of Community Health Plan's (CHP) HFP loss ratio submission for the period July 1, 2007 through June 30, 2008. This report outlines the project objectives, methodology and results.

I Objectives: The purpose of the loss ratio evaluation was to evaluate the underlying payments supporting the amount reported as benefits provided to HFP subscribers and reported by CHP.

As part of this evaluation, DMHC performed the following:

- A Determined whether 100% of the children who received services paid by CHP were enrolled in the HFP at the time the services or capitated coverage were provided;
- B Summarized the total capitation and benefit payments within the detailed data provided by CHP and compared the total payments to the amount reported on Schedule 6 submitted by CHP;
- C Summarized the total payments made by CHP for the HFP subscriber, and based on the steps above, recalculated the loss ratio and compared it to the loss ratio submitted by CHP on Schedule 6.

To achieve the objectives outlined above, DMHC performed data analysis on information provided by MRMIB and CHP and corresponded with management personnel at CHP. Primary contact at CHP was Manal Dudar, Fiscal Manager Audit Lead.

II Methodology

A Determined whether 100% of the children who received services paid by CHP were enrolled in the HFP at the time the services were provided.

- 1 DMHC obtained electronic files containing payments made for HFP subscribers. Additionally, the Department obtained electronic files from MRMIB of all children

eligible for whom payments was made for benefits as a CHP subscriber during the period of July 1, 2007 though June 30, 2008.

- 2 Using the two files, DMHC compared the Client Index Number (CIN) and Date of Service on CHP files to determine if there were any payments made by CHP for subscribers that were not eligible for benefits according to the eligibility file received from MRMIB.

There were no material discrepancies noted in payments for ineligible members.

B Summarized the total benefit payments within the detailed data provided by CHP and compared the total payments to the amount reported on Schedule 6 submitted by CHP.

Using electronic files and paper documentation received from CHP in Section II, above, and CHP's Schedule 6 loss ratio submission provided by MRMIB, DMHC compared the total of the payments on the electronic files and paper documentation to the data reported on Schedule 6.

There were no material discrepancies noted in comparing the database information from CHP and the amounts reported as medical expense on the Schedule 6.

C Summarized the total payments made by CHP for the HFP subscriber, and based on the steps above, recalculated the loss ratio and compared it to the loss ratio submitted by CHP on Schedule 6.

There were no material discrepancies noted in examination under items A and B. The Schedule 6 is accepted as reported.

III Summary of Findings

- A The following adjustment areas were noted during the examination, but due to materiality guidelines established for the audit the adjustments were not proposed as corrections to the Schedule 6 review.

Issue No	Account	Issue	Amount Stated Over/(Under)
1	Other Medical Professional Services – Non-Capitated	CHP has a recoupment amount for this account and the Non-Contracted Emergency Room and Out-of-Area Expense, not including POS account, however, during the exam, the recoupment amount was unable to be separated out to the appropriate accounts. Therefore, the recoupment amount was applied towards the larger of the two accounts. Per CHP, after 2008, they placed a new identifier within their database that could separate the recoupment amount for the appropriate accounts.	(\$7,710)
2	Non-Contracted Emergency Room and	CHP has a recoupment amount for this account and the Other Medical Professional Services – Non-Capitated	(\$8,536)

	Out-of-Area Expense, not including POS	account, however, during the exam, the recoupment amount was unable to be separated out to the appropriate accounts. Therefore, the recoupment amount was applied towards the larger of the two accounts. Per CHP, after 2008, they placed a new identifier within their database that could separate the recoupment amount for the appropriate accounts.	
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IV Limitations

This analysis and report were prepared solely for the purpose of assisting MRMIB in the determination of the accuracy of payments made by CHP on their Schedule 6 Medical Loss Ratio Report. We have not performed an evaluation of the Company's internal controls within the guidelines set forth by the AICPA but have reported to you based upon the procedures performed. Our analysis has not been a detailed examination of all transactions, and cannot be relied upon to disclose errors, irregularities, or illegal acts, including fraud or defalcations that may exist.

Please feel free to call Jennifer Lum, DMHC Examiner with any questions pertaining to this report.

Sincerely,

Jennifer Lum, Examiner
Division of Financial Oversight

Stephen Babich, Supervising Examiner
Division of Financial Oversight

cc: Lan Yan, Federal Compliance Unit, MRMIB